

## Message Text

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S/S - MR. ORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST IMMEDIATE

C O N F I D E N T I A L STATE 021419

E.O. 11652: GDS

AGS: PFOR, HU

SUBJECT:1976 ANNUAL POLICY ASSESSMENT

REF: STATE 289541

1. WE APOLOGIZE FOR THE DELAY IN SENDING YOU SUGGESTIONS TO AID IN THE PREPARATION OF THE ANNUAL POLICY ASSESSMENT FOR HUNGARY, DUE ON FEBRUARY 1. THESE SUGGESTIONS ARE BY NO MEANS COMPREHENSIVE, AND YOU SHOULD NOT FEEL CONSTRAINED TO FOLLOW OUR FORMAT OR TO DEAL WITH EVERY SUBJECT RAISED. EVEN IF YOUR ASSESSMENT IS ALMOST COMPLETED, WE WISH THAT YOU ANSWER OUR SPECIFIC INQUIRY ON HUNGARY AND YUGOSLAVIA (PARA 5A). IF YOU WISH TO DEAL WITH SOME OF THE OTHER SUGGESTED TOPICS AND THEY DO NOT CONVENIENTLY FIT INTO YOUR FORMAT, YOU MAY SUBMIT AN ADDENDUM TO YOUR ASSESSMENT BY FEBRUARY 12. YOU SHOULD NOT FEEL OBLIGATED TO DO SO.

2. HISTORICALLY THE HUNGARIANS HAVE VIEWED THEMSELVES AS A UNIQUE PEOPLE, SURROUNDED BY ENEMIES, SLAVS, GERMANS AND ROMANIANS, AND WITH NO NATURAL FRIENDS. PRESERVATION  
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OF A HUNGARIAN IDENTITY HAS BEEN A CONSISTENT GOAL. TODAY

HUNGARY IS CLOSELY TIED TO THESE FORMER ENEMIES. HAS HUNGARY'S VIEW OF ITSELF FUNDAMENTALLY CHANGED OR IS THIS ANOTHER MANIFESTATION OF THE MAGYAR ABILITY TO ADAPT SUPER-

FICIALLY AND SURVIVE AS A NATION? WHAT ARE HUNGARY'S NATIONAL GOALS TODAY?

3. HUNGARIAN FOREIGN POLICY: IT HAS BECOME TRITE TO STATE THAT HUNGARY HAS TRADED THE FREEDOM TO DEVELOP INTERNALLY ON ITS OWN MODEL FOR ADHERENCE TO THE SOVIET FOREIGN POLICY LINE. DOES HUNGARY HAVE ITS OWN FOREIGN POLICY INTERESTS AND HOW IS IT SEEKING TO FURTHER THEM? WHAT IS HUNGARY'S VIEW OF ITS OWN ROLE ON THE INTERNATIONAL SCENE?

4. THE PRESENT STATE OF THE HUNGARIAN-SOVIET RELATIONSHIP IS ALWAYS DIFFICULT TO PIN DOWN. HIGHER PRICES FOR SOVIET OIL AND WORSENING TERMS OF TRADE OVER THE PAST YEAR SEEM TO DEMONSTRATE THAT THE RELATIONSHIP IS BECOMING MORE DISADVANTAGEOUS FOR HUNGARY. EXCLUSION OF HUNGARY FROM THE MBFR AREA IMPLIES NO REDUCTION OF SOVIET TROOP STRENGTH IN HUNGARY FOR THE TIME BEING. WHAT IMPACT ARE THESE PROBLEMS HAVING ON HUNGARIAN-SOVIET RELATIONS? IS THE RELATIONSHIP UNDERGOING CHANGE? ARE THE HUNGARIANS DESIROUS OF CHANGING IT?

5. HUNGARY'S DEALING WITH ITS SOCIALIST NEIGHBORS CONTINUES TO BE OF INTEREST, ESPECIALLY:

A. HUNGARIAN VIEW ON THE SITUATION IN YUGOSLAVIA. IS THERE ANY EVIDENCE OF BUDAPEST'S ENCOURAGING COMMUNIST OR CROATIAN SEPARATISM? HOW CAN WE EFFECTIVELY CONVEY TO THE GOH OUR INTEREST IN BALKAN STABILITY?

B. THE HUNGARIAN ATTITUDE TOWARD CEMA INTEGRATION. HOW DOES HUNGARY RATIONALIZE THE CONFLICT BETWEEN A DESIRE FOR GREATER INDEPENDENCE IN ECONOMIC DECISION MAKING AND SUPPORT OF INTEGRATION?

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6. THE UNITED NATIONS AND MULTILATERAL ISSUES ARE RECEIVING OUR INCREASING ATTENTION. YOU MAY WISH TO ADDRESS HUNGARY'S ATTITUDE ON IMPORTANT INTERNATIONAL ISSUES. WE HAVE SEEN ONE RECENT EXAMPLE OF A GOH DECISION NOT TO TAKE A POSITION UPSETTING TO US ON AN ISSUE WE REGARD AS IMPORTANT - DECLINING TO SPEAK ON PUERTO RICAN INDEPENDENCE AT THE UN. HOW MUCH ABILITY DO WE HAVE TO AFFECT THE GOH POSITION ON SUCH ISSUES AT THE UN AND IN

OTHER INTERNATIONAL MEETINGS?

7. BILATERAL RELATIONS: IMPORTANT ISSUES IN OUR RELATIONS WITH THE GOH ARE THOSE WHICH THE HUNGARIANS CHARACTERIZE AS DISCRIMINATION -- MFN, JOHNSON ACT SANCTIONS AND THE CROWN. RESOLUTION OF THE JOHNSON ACT DEBTS MAY BE NEAR, BUT THERE APPEARS TO BE LITTLE HOPE OF RESOLVING MFN AND THE CROWN DURING THE ELECTION YEAR. WHAT ARE THE GOH'S EXPECTATIONS ABOUT TIMING? HOW MUCH DOES OUR LACK OF ACTION CIRCUMSCRIBE OUR ABILITY TO MOVE FORWARD ON ITEMS OF IMPORTANCE TO US, SUCH AS EXCHANGE AGREEMENT, INFORMATION QUESTIONS AND DIVIDED FAMILIES?

8. INTERNAL DEVELOPMENTS: THIS YEAR MARKS THE TWENTIETH ANNIVERSARY OF KADAR'S COMING TO POWER. WE HAVE LONG CONSIDERED THE KADAR LEADERSHIP ITS MODERATE CENTER-OF-THE-ROAD DOMESTIC POLITICAL POLICY AND ITS INNOVATIVE ECONOMIC POLICY AS A FIRM BASE FOR OUR ANALYSIS. YOU MAY WISH TO COMMENT UPON ANY FACTORS, INTERNAL OR EXTERNAL, WHICH MIGHT ALTER THIS SITUATION, CONSIDERING SUCH AREAS AS:

A. SOVIET CONCERN ABOUT HUNGARIAN INTERNAL POLICY;

B. THE EFFECT OF DECLINING ECONOMIC CONDITIONS ON THE NEM AND ON THE POPULARITY OF THE GOVERNMENT AND PARTY;

C. THE FUTURE OF KADAR, POSSIBLE CHALLENGES TO HIS LEADERSHIP, AND DOMESTIC ELEMENTS WHICH MAY BE OPPOSED TO HIS MODERATE COURSE. KISSINGER  
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